

WEST GERMANY: GENERAL ECONOMIC DATA

Population (1985): 61.0 Million GDP (Purchaser's Value)/Capita: \$10,192

Total Output (Billion \$US - 1985 Exch Rate)	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986*</u>
GDP (Purchaser's Value - Current Prices)	567.1	593.8	621.7	651.5
25X1 GDP (Constant Prices - % Change by Year)	-1.5	2.7	2.4	2.8
Cost-of-Living Index (1980 = 100)	116	118	121	121

Domestic demand, led by private consumption, has replaced the trade balance as the driving force behind economic expansion, and West Germany will probably record real growth of nearly 3 percent in 1986. Growth next year was also initially projected to be about 3 percent, but this expectation is now regarded as optimistic because of the effects of a stronger deutsche mark on trade, and the belief that the current surge in domestic demand will not last. To avert a slowdown, many experts, including West Germany's five leading economic institutes, are now pushing Bonn either to speed up scheduled tax cuts or to accelerate its planned tax reform. Reducing the budget deficit remains Finance Minister Stoltenberg's top fiscal priority, however, and Bonn is unlikely to accede to these calls for less markedly slower growth is apparent by the spring.

Unemployment has steadily dropped this year and currently stands below 8 percent. It remains above the politically sensitive 2-million level, however, and Bonn sees little hope of reducing it much further in the near and medium term. The German economy is projected to produce only 250,000 jobs in 1987, 50,000 less than this year. The inflation rate is expected to be slightly negative this year, reflecting the sharp drop in both oil and food prices, due in part to the appreciation of the deutsche mark. Christian Democrat Chancellor Kohl is counting on the country's relatively strong performance on growth and inflation to offset any concern over lingering unemployment when elections go to the polls on 25 January to elect a new national government.

Monetary growth will overshoot its 5.5-percent upper target range this year, largely as a result of the Bundesbank's efforts to slow the decline of the US dollar. This excessive monetary growth has been used by the Bundesbank in recent months to rationalize its refusal to lower the West German discount rate, thus exacerbating an economic dispute with the United States. Washington has argued that lower German interest rates would—among other things—alleviate West Germany's large bilateral trade surplus with the US. This surplus reached a peak of \$25 billion this year, but is expected to decline in 1987.

<u>TRADE AND PAYMENTS (Billion \$US, BOP Basis)</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986*</u>
Exports of Goods and Services	208.9	209.3	223.7	276.0
Imports of Goods and Services	194.9	192.2	199.3	235.0
Balance of Goods and Services	14.0	17.1	24.4	41.0
Current Account Balance	4.2	6.8	13.8	35.0
Long-Term Capital	-3.0	-5.3	-2.2	8.0
Total Reserves Minus Gold (yearend)	42.7	40.1	44.4	48.9**

* Estimated

** September